

Spending for Food Up Slightly in 1995

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Food spending in the United States rose to \$665.4 billion in 1995, a 3.8-percent increase over 1994 (table 1). Total expenditures for eating out (food away from home) were \$306.9 billion, a 4.8-percent increase in 1995, more than the 4.6-percent increase in 1994. Retail food expenditures (food at home) increased more slowly than in 1994, rising 2.9 percent to \$358.5 billion. Adjusted for inflation, total food spending rose 1.3 percent in 1995—food at home by 0.2 percent and food away from home by 2.5 percent.

Preliminary figures on food sales in 1996 show food at home up 3.5 percent from 1995 and food away from home up 1.5 percent. Food sales exclude donations and food furnished to employees, patients, and inmates—all of which are included in food expenditures. Food sales adjusted for price changes declined from 1995 to 1996—food at home by 0.3 percent and food away from home by 0.9 percent. Vigorous competition among fast-food and other restaurant chains held down prices and sales; and consumers cut back on eating out.

Since the 1990-91 recession, personal food spending increased less than most other major categories of personal consumption. Personal food spending differs from total food spending because it excludes expenditures by governments and businesses. Personal expenditures for all food rose 4.0 percent in 1995, while spending on transportation, cars, and gasoline went up 3.4 percent, and medical care and drugs cost 6.0 percent more (table 2). Within personal food expenditures, there was a 5.6-percent growth in away-from-home food expenses, compared with only a 3.0-percent increase in expenditures for food at home.

In 1995, 11.0 percent of a household's (families and individuals) disposable personal income was spent

on food, down from 12.0 percent in 1985. Households spent 6.7 percent of their 1995 disposable personal income for food at home and 4.3 percent on food away from home. In 1995, Americans spent about 26 percent of disposable personal income on housing (including supplies, fuel, and furniture), 16 percent on medical care and drugs, and 10 percent on transportation (including cars and gasoline).

Once adjusted for inflation and population growth, total food spending per person actually fell 0.9 percent in 1995. But the figures reflect the trend toward eating out, with a 2.9-percent increase partially offsetting the 4.3-percent decrease in food at home to soften the decline in per capita real food spending.

Updated Data Available

Data from the 1992 U.S. Census continue to become available, with most of the revisions incorporated in these statistics. Newly revised figures will be available from USDA's Economic Research Service through the AutoFAX system.

To receive by AutoFAX, dial (202) 219-1107 by telephone connected to a FAX machine, respond to the voice prompts, and order

document #11530 (a list of all the available data tables can then be requested).

When responding to the voice prompts, please note: when asked for a yes or no response, press 1 for yes and 2 for no. You may interrupt the main menu choices to order the document by pressing 4—the system will then prompt you for the document number.

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Table 1

Food Spending Rose 3.8 Percent in 1995

Expenditures	1990	1991	1992	1993	1994	1995	Increase, 1994-95
	<i>Billion dollars</i>						<i>Percent</i>
Total food and beverages ¹	639.4	660.7	671.4	693.3	724.9	751.4	3.7
Total food (excluding alcohol)	559.8	579.8	590.7	612.0	641.1	665.4	3.8
At-home food	311.6	324.6	326.4	332.2	348.3	358.5	2.9
Sales	303.9	317.3	319.2	325.4	341.6	351.7	3.0
Home production and donations	7.7	7.3	7.2	6.8	6.7	6.7	0
Away-from-home food	248.2	255.2	264.2	279.8	292.8	306.9	4.8
Sales	224.7	230.5	238.3	253.5	265.7	278.9	5.0
Supplied and donated ²	23.5	24.7	26.0	26.3	27.0	28.0	3.7
Alcoholic beverages	79.6	80.9	80.7	81.3	83.8	86.0	2.6
Packaged	46.4	47.3	46.4	46.2	47.9	49.0	2.3
Drinks	33.1	33.6	34.3	35.1	35.9	37.0	3.1

Notes: Data may not total due to rounding. ¹These expenditures include all food and alcoholic beverages, regardless of who paid for them. ²Includes Government subsidies for school lunch programs.

Restaurant's Share Rose, While Fast Foods' Share Fell Because of Vigorous Competition

One of the ways people economized during the 1990-91 recession was by eating out less often or by going to less expensive places. The share of total food dollars spent away from home declined from 1989 to 1991, reflecting the economic slowdown and the subsequent recession. By 1995, however, spending for food away from home had increased more than for food at home, and the share reached new highs—46.1 percent of food dollars and 34.9 percent of food quantities—continuing the recovery that started in 1992. Away-from-home food spending increased at a faster rate than at-home food spending because of both the higher prices of away-from-home meals and snacks (due to the added cost of preparing, cooking, and serv-

ing) and the increase in the quantity of food eaten out.

Vigorous competition among fast-food chains drove prices down in 1990 and 1991, and as a result, fast-food sales declined from 34.1 percent of food-away-from-home dollar sales in 1989 to 33.8 percent in 1991. The share rose in 1992 and 1993, but fell again in 1994 and 1995, reflecting that competition. Restaurants did not lower prices as much as fast-food places did during the recession. Their share of food-away-from-home sales fell from 38.9 percent in 1991 to 37.8 percent in 1993, rising to 39.5 percent in 1995.

Takeout and Delivery Sales Grow

More two-income households and higher employment levels have increased household incomes and, at the same time, reduced the amount of time available to prepare food at home. According to the U.S. Retail Trade Census data, sales from

restaurants, fast-food places, cafeterias, and other eating places increased 32.3 percent from 1987 to 1992 (the most recent census year), while the number of eating establishments increased only 14 percent. Monthly U.S. retail trade data for January-November 1996 indicate that sales from eating places increased 2.0 percent over January-November 1995. Sales from eating places grew 5.4 percent between January-November 1994 and January-November 1995.

Eating establishments emphasize the convenience they provide—especially delivery, drive-through, and takeout—in order to capture an increasing share of the total food expenditure dollar. In 1992, restaurant takeout and delivery food sales were 10.2 percent of total restaurant sales, up from 6.2 percent in 1987. Fast-food takeout and delivery sales were an unprecedented 50.5 percent of total fast-food sales, up from 47.1 percent in 1987.

Table 2

Rise in Personal Food Expenditures Lower Than Disposable Personal Income¹

Component	1992	1993	1994	1995	Change, 1994-95
	<i>Billion dollars</i>				<i>Percent</i>
Disposable personal income	4,613.7	4,789.3	5,018.8	5,306.4	5.7
Total personal consumption expenditures	4,136.9	4,454.1	4,698.7	4,924.3	4.8
Food	512.5	533.0	560.5	582.9	4.0
At home	321.6	327.8	344.2	354.5	3.0
Away from home	190.9	205.2	216.3	228.4	5.6
Alcoholic beverages	68.6	68.7	70.9	72.7	2.6
At home	46.4	46.2	47.9	49.0	2.3
Away from home	22.2	22.5	23.0	23.7	3.2
Nonfood	3,555.8	3,852.4	4,067.3	4,268.7	5.0
Housing, household operation, supplies, fuel, furniture	1,124.1	1,231.2	1,299.9	1,370.8	5.5
Transportation, cars, gasoline	466.3	503.8	536.5	554.9	3.4
Medical care, drugs	694.6	775.3	820.8	869.9	6.0
Clothing, shoes, toiletries, personal care, jewelry	311.6	326.1	341.4	351.5	3.0
Recreation, tobacco, toys, sporting goods, pet food	264.2	318.1	300.6	316.6	5.3
Personal business	354.0	354.0	361.9	373.4	3.2
Other	68.4	127.5	213.8	190.9	-10.7

Notes: Data may not add due to rounding. Food expenditures in this table are only those paid for by consumers with cash or food stamps. Disposable personal income is the sum of personal consumption expenditures plus savings plus other miscellaneous expenditures. ¹As of June 26, 1996. Sources: Food and alcoholic beverage data are from USDA's Economic Research Service. All other data are from the Bureau of Economic Analysis, U.S. Department of Commerce.

Conventional Supermarkets Face Competition as Other Retailers Expand Food Offerings

Just as where consumers eat away-from-home food has changed, where consumers buy their groceries has also changed dramatically over the past 15 years. Supermarkets' share of food-at-home sales peaked in the mid-1980's at over 65 percent, then dropped to 61 percent in 1995. The remaining purchases of food for use at home occurred in smaller grocery stores, specialty foodstores, and a wide variety of other outlets.

Supermarket formats have shifted sharply as well. Conventional supermarkets' share of total supermarket sales (including nonfood items) dropped from 73.1 percent in 1980 to 47.4 percent in 1986 and 24.5 percent in 1995 (see box on supermarket formats). Sales by superstores and combination food/drug stores increased from 21.7 percent of total supermarket sales in 1980 to 35.5 percent in 1986 and 59.3 percent in 1995. Shares for the other supermarket formats that emphasize lower prices—such as warehouse, super-warehouse, and limited assortment stores—increased from 5.2 percent in 1980 to 15.5 percent in 1986, but fell to 14.8 percent in 1995.

Other nonsupermarket competitors that strongly emphasize low prices have also entered the market in recent years. These new competi-

tors, specifically warehouse clubs, mass merchandisers, and deep-discount drugstores, increased their combined retail sales of food to consumers from 1.1 percent in 1982 to 5.0 percent in 1992 and 6.7 percent in 1995.

Warehouse clubs (formerly called wholesale clubs) are hybrids of membership wholesale outlets and retail stores. They carry a wide assortment of general merchandise, groceries in large packs, and perishables, such as meat and some produce. Nearly 60 percent of their food sales are to operators of small restaurants, institutions, and non-commercial groups, such as churches and clubs. The remaining 40 percent are sales to individual consumers. Their share of retail food sales to consumers for at-home use

Supermarket Formats Vary

Supermarkets are foodstores that sell a variety of food products (including fresh meat, produce, packaged and canned foods, frozen foods, and other processed foods) and non-food products (such as household cleaning supplies, paper products, and personal-care products). These primarily self-service operations each generate at least \$3.5 million in sales (1995 dollars).

Supermarkets are classified into several formats, based on the variety of products and services they offer.

- **Conventional format store**—a full-line supermarket, ranges in size from 10,000 to 25,000 sq. ft. of floor space and carries at least

9,000 different food and nonfood items.

- **Superstore**—distinguished by its greater size and variety of products (over 14,000 different items) than conventional supermarkets offer. Tends to include specialty food and service departments, and a larger inventory of nonfood products, including general merchandise, such as clothing and automotive supplies.
- **Warehouse/limited assortment store**—a supermarket with limited product variety and fewer services, incorporating case-lot stocking and shelving practices.

- **Superwarehouse store**—larger than a warehouse store; offers expanded product variety and often has full-service meat, delicatessen, or fresh seafood departments.

- **Combination food and drug-store**—a supermarket with a pharmacy, a nonprescription drug department, and a greater variety of personal-care products than carried by conventional supermarkets.

- **Hypermarket**—the largest supermarket format; general merchandise accounts for up to 40 percent of sales.

—For more information, contact Phil Kaufman at (202) 219-0728.

Conventional Supermarkets Face Competition

Supermarket formats	1980	Share of supermarket sales	
		1986	1995
		Percent	
Conventional	73.1	47.4	24.5
Superstore	17.7	27.5	39.3
Warehouse/limited assortment	4.2	12.3	8.8
Combination food and drug store	4.0	8.0	20.0
Superwarehouse	1.0	3.2	6.0
Hypermarket	NA	1.6	1.5

Note: NA = Not available.

increased from almost nothing in 1982 to 2.5 percent in 1993, then fell to 2.1 percent in 1995. The growth of warehouse clubs is slowing as they approach market saturation in many areas. Their emphasis is shifting back to supplying small restaurants, lunchrooms, and institutions.

Some mass merchandisers, also called discount department stores, have included an entire supermarket in their stores since the early 1960's, when a number of supermarket chains built their own discount de-

partment stores. Many such chains left the discount business in the 1970's as the field became crowded. To serve their consumers more effectively, Wal-Mart and Kmart have recently opened very large supercenters that include a large supermarket section. Mass merchandisers' share of at-home food sales to consumers rose from 1.1 percent in 1982 to 2.8 percent in 1992 and 3.9 percent in 1995.

The most recent entrant to the at-home food dollar competition has been deep-discount drugstores, which sell dry groceries (no perishables) at discount prices. Their share of food-at-home sales to consumers increased from nothing in 1982 to 0.6 percent in 1995.

Operators of all kinds of supermarkets feel the competition from these newcomers entering the market. Many supermarkets are fighting back by featuring bulk sales and large club packs at competitive prices. ■